

Annual Report

**TO THE SHAREHOLDERS OF
CANADIAN VICKERS
LIMITED**

**FOR THE YEAR ENDED
FEBRUARY 29TH**

1944

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON JUNE 29TH, 1944

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"VICKERS MONTREAL"

TELEPHONE:
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REFERENCE NUMBER
J. W. S.

OFFICE & WORKS:
NOTRE DAME ST. EAST

P.O. BOX 550 PLACE D'ARMES STATION
MONTREAL

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS:

Notice is hereby given that the Annual General Meeting of the Shareholders of Canadian Vickers, Limited, is called to convene at the Head Office of the Company, 5136 Notre Dame Street, East, in the City of Montreal, Province of Quebec, on Thursday, the 29th day of June, 1944, at 3 o'clock in the afternoon (Eastern War Time) for purposes of receiving and considering the financial statements of the Company and the report of the Directors for the year ended 29th February, 1944; of ratifying amendment to by-law number 10; of election of Directors for the ensuing year; of appointment of Auditors and for the transaction of such other business as may properly come before the meeting.

Montreal, June 6th, 1944.

By Order of the Board,

J. W. SAVIDANT

Secretary

N.B.—In the event of your inability to be personally present at the meeting, please execute and return the enclosed instrument of proxy **PRIOR TO JUNE 29th 1944**

Annual Report of the Directors

FISCAL YEAR ENDED FEBRUARY 29th, 1944

To the Shareholders:

On behalf of your Directors, I have the honour to submit the Annual Report, together with the Balance Sheet and Profit and Loss Account, certified to by the Company's Auditors, Messrs. Macintosh, Robertson and Paterson, covering the operations of your Company for the fiscal year ended February 29th, 1944.

Production volume for the year at \$53,371,426.93 established an all-time high in the Company's history. Of that amount, your Aircraft Division at Cartierville contributed \$23,815,007.55.

Net profits reflect the effect of the following features:

FEDERAL SUBSIDY (DRY DOCK)

The Annual Subsidy which your Company receives from the Federal Government is held by the Federal Tax Authorities to be taxable income. Your Directors are not in accord with such ruling and have the matter of further action under consideration.

ORDINARY DEPRECIATION

The Federal Tax Authorities hold that your Company's physical assets became fully depreciated during the year 1940 and that, therefore, such depreciation, if and as set up thereafter, would not be allowed as a deduction in arriving at Net Taxable Income. Your Directors have this subject under study.

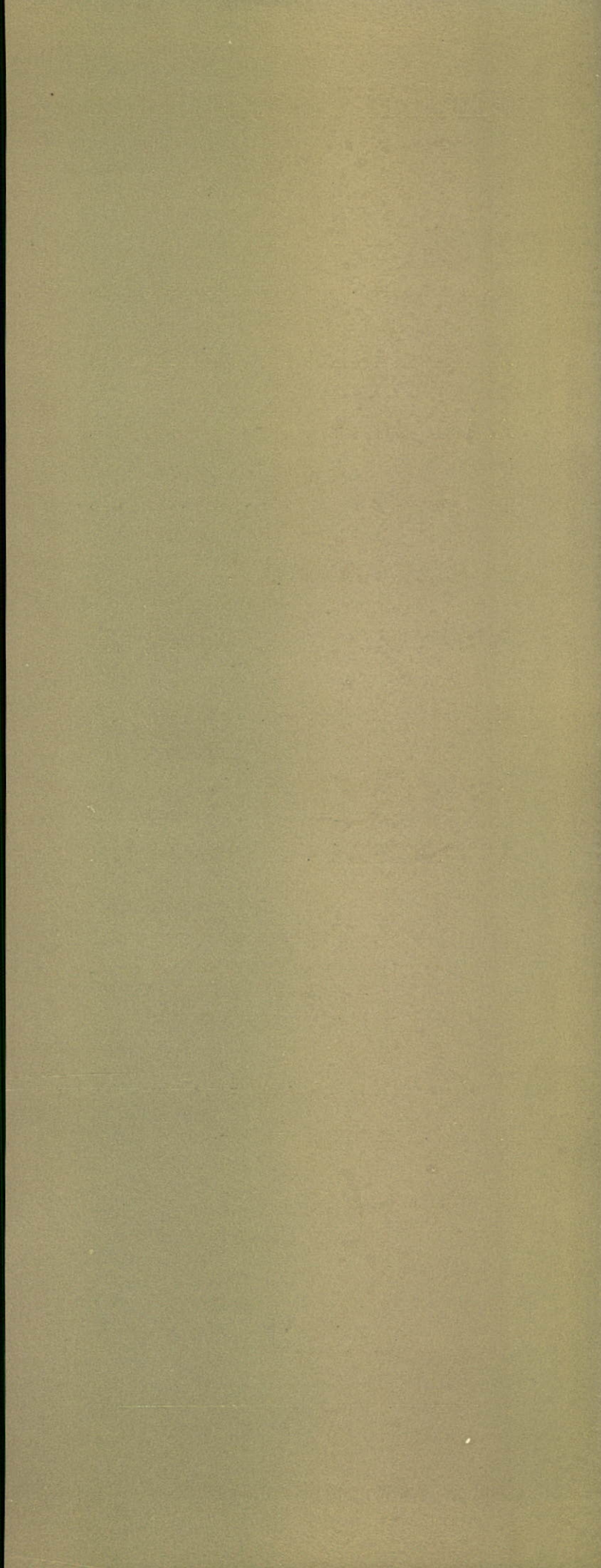
RENEGOTIATION

In your Company's last Annual Report, reference was made to discussions being developed with the Department of Munitions and Supply as to renegotiation of contracts. Such discussions, although not concluded, have progressed to the point where your Directors felt it desirable that the present financial statements should reflect, as they do, provision considered ample to meet the maximum liability which can accrue as a result of such renegotiation, subject, of course, to the Departmental audit of our costs.

STANDARD PROFITS

Although for Excess Profits Tax purposes your Company was classed as a severely depressed industry, the base fixed for Standard Profits is extremely low in relation to the remarkable volume of production and the high degree of manufacturing cost efficiency attained; consequently the amount of profits actually retained by the Company (70% of the Standard Profits base) stands at the very low figure of approximately one-half of one per cent on the volume of sales for the year.

Profits for the period under review, after provision for all charges and contingencies except as undernoted, amounted to \$4,799,835.14. Out of this, provision has been made for Income and Excess Profits Taxes in the amount of \$4,476,488.22, and for Ordinary Depreciation (disallowed for income tax purposes) in the amount of \$222,655.49 after which Net Profits remain at \$100,691.43.



Canadian Vickers, Limited

Directors

W. L. BAYER Montreal, P.Q.

RUSSELL D. BELL Montreal, P.Q.

A. F. CULVER Montreal, P.Q.

H. C. FLOOD Montreal, P.Q.

LIONEL A. FORSYTH, K.C.
Montreal, P.Q.

A. S. FRASER Montreal, P.Q.

E. GERALD HANSON Montreal, P.Q.

J. EDOUARD LABELLE, K.C.
Montreal, P.Q.

J. McL. STEPHEN Montreal, P.Q.

Officers

President

J. EDOUARD LABELLE, K.C.

Vice-Presidents

J. McL. STEPHEN — A. S. FRASER

Secretary and Treasurer, Comptroller

J. W. SAVIDANT

General Manager

T. R. McLAGAN



Net Working Capital stands at \$1,794,695.73, subject to any adjustment that may arise out of the features above referred to.

During the year your Company has fulfilled its obligations to its Bondholders under the Extraordinary Resolution of August 2nd, 1940, with respect to interest, both current and in arrears, and to payment of Sinking Fund.

Your plant and facilities, as indicated by the volume of business, operated at a capacity beyond our expectations of a year ago and the Company's contribution to the war effort needs no other emphasis here.

All physical assets of the Company have continued to be properly maintained.

Post-war possibilities have been and are being given careful study by a Committee formed for that purpose with the natural objective of endeavouring to ensure continuity of production and, as well, to avoid as far as possible disruption arising out of conversion to a peace-time basis. Since the close of the year, your Company has been successful in securing a commercial export order for cargo vessels.

In 1939 your employees numbered 856; that total has expanded to 12,948 in the year now closed, of which total 8,438 were employed in the Aircraft Division.

As evidence of the esprit de corps and steadiness of your employees, it is significant that, during the year 1943, 63 qualified for membership in the Quarter Century Club, having completed not less than 25 years continuous service with your Company.

On each successive Victory Loan Campaign, including the 6th Loan, employees' quotas have been exceeded. The grand total of such subscriptions to date is \$4,322,000.00.

This report would not be complete without commendation of the loyalty and competence of the personnel of your Company, whose services are given willingly beyond the requirements of any narrow interpretation of duty. Your Directors and Officers take this opportunity of expressing sincere appreciation of their services.

Your Directors regret to report the death, on November 17th, 1943, of Mr. Avila Raymond, a former Director of the Company.

Respectfully submitted,

J. EDOUARD LABELLE,
President.

MONTREAL, JUNE 6th, 1944.

Balance Sheet as at 29th February, 1944

(With comparative figures for the previous year)

Assets

	As at February 29, 1944	As at February 28, 1943
CURRENT ASSETS:		
Cash on Hand and in Bank.....	\$ 27,926.72	\$ 15,051.26
Dominion of Canada Bonds (at par).....	125,000.00	150,000.00
Accounts Receivable (less Reserve).....	7,152,488.19	4,039,942.36
Due by wholly owned Subsidiary Company		
Current Account.....	140,060.10	19,900.39
Net Equity in Work in Progress at Cost plus		
Estimated Profit.....	5,466,212.23	2,087,054.95
Inventory of Finished Stock, Stores and Supplies:		
Maisonnette Division, certified to by responsible		
officials of the Company as to quantities, and		
as to Values which are at the lower of Cost or		
Market (less Reserve), and prepayments to-		
wards material on order.....	\$ 714,401.65	
Aircraft Division at Book Value (less Reserve),		
and prepayments towards material on order.....	12,982,294.38	
Funds in Hands of Trustee for Bondholders.....	13,696,696.03	5,438,135.37
Department of Public Works, Subsidy Accrued.....	4,000.00	
	16,153.96	16,154.00
TOTAL CURRENT ASSETS.....	26,628,537.23	\$11,766,238.33
EMPLOYEES' VICTORY LOAN TRUST FUNDS.	451,735.94	
AMOUNT DUE UNDER AGREEMENT FROM		
SUBSCRIBERS TO CAPITAL STOCK ALLOTTED	76,000.00	85,000.00
DEFERRED CHARGES:		
Prepaid Taxes, Insurance and other expenditure		
made on account of future business.....	78,318.65	379,104.67
INVESTMENT IN AND ADVANCES to wholly		
owned Subsidiary Company—		
Investment.....	1.00	\$ 1.00
Advances.....	455,054.42	428,685.28
	455,055.42	428,686.28
OTHER INVESTMENTS:		
Bonds of the Company purchased for Sinking Fund		
(at par).....	20,000.00	5,710.00
1666 Shares of \$100 each of Canadian Associated		
Aircraft Ltd.....		166,600.00
Sundry at nominal value.....	2.00	2.00
	20,002.00	172,312.00
REFUNDABLE PORTION OF EXCESS PROFITS		
TAXES (estimated).....	863,255.28	218,230.00
FIXED ASSETS:		
Real Estate, Buildings, Floating Dock, Plant and		
Equipment.....	8,024,873.32	7,340,964.45
Leasehold.....	600,000.00	600,000.00
As per valuation by Coverdale & Colpitts dated		
30th September, 1927, with subsequent addi-		
tions at cost, less retirements.....	8,624,873.32	7,940,964.45
LESS: Depreciation Reserve.....	5,205,522.27	4,363,159.73
	3,419,351.05	3,577,804.72
	\$31,992,255.57	\$16,627,376.00

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the books and accounts of your Company for the year ended 29th February, 1944, and have obtained all the information and explanations required by us. The Company's war contracts with the Dominion Government, whether completed or in progress, have been invoiced on the basis of contract prices, but, as certain of these have been under renegotiation suitable provision has been made to meet such liability as may accrue therefrom. The basis upon which provision has been made for depreciation of special expenditures during the year is subject to review by the War Contracts Depreciation Board under application now being prepared. Subject to the foregoing and to the collectibility of the advances made to your wholly owned Subsidiary Company, and to the correctness of the Book Inventory and value (less reserve) of the Aircraft Division, the above Balance Sheet in our opinion is properly drawn up so as to exhibit a true and correct view of the Company's affairs, according to the best of our information and the explanations given to us and as shown by the books of the Company. In accordance with Section 114 of the Companies Act 1934, we also report that the profits of your wholly owned Subsidiary Company are carried forward in its own accounts and are not represented in the accounts of your Company.

(Signed) MACINTOSH, ROBERTSON & PATERSON,

Chartered Accountants.

MONTREAL, 5th June, 1944.

Liabilities

	As at February 29, 1944	As at February 28, 1943
CURRENT LIABILITIES:		
Bank Loans and Overdraft (Secured).....	\$ 480,070.66	\$1,332,075.16
Bank Loan repayable from Current Contracts.....	369,592.22	
Accounts Payable including Provision for Contracts renegotiation.....	8,057,020.65	4,289,539.69
Advances by Dominion Government on account of Stores Purchased.....	10,095,428.41	
Sales Taxes Payable.....	176,035.54	197,229.91
Reserve for Income and Excess Profits Taxes—(estimated).....	5,655,694.02	3,306,189.46
TOTAL CURRENT LIABILITIES.....	\$24,833,841.50	\$ 9,125,034.22
DEFERRED LIABILITY:		
Bond Interest for the two years ended 1st February, 1942, with interest thereon.....		333,696.87
EMPLOYEES' VICTORY LOAN TRUST—per contra.....	451,735.94	
RESERVES:		
Miscellaneous.....	182,316.64	114,880.77
BONDED INDEBTEDNESS:		
First Mortgage 20 Year 6% Bonds (due 1st August, 1947)—		
Authorized.....	\$5,000,000.00	
Issued.....	\$ 2,750,000.00	\$2,750,000.00
LESS: Redeemed.....	313,500.00	243,500.00
	2,436,500.00	2,506,500.00
CAPITAL STOCK:		
7% Cumulative Redeemable Preferred Stock—		
Authorized—		
50,000 Shares of \$100 each. \$ 5,000,000.00		
Issued—		
19,000 Shares of \$100 each. 1,900,000.00		
Subscribed and Allotted—		
1,000 Shares..... 100,000.00		
	2,000,000.00	2,000,000.00
Dividends paid to 31st October, 1929.		
Common Stock—No Par Value—		
Authorized 100,000 Shares		
Issued 52,000 Shares... \$ 2,410,000.00		
Subscribed and Allotted—		
1,000 Shares..... 5,000.00		
	\$ 2,415,000.00	
LESS: Deficit as per Statement attached.....	1,190,393.79	
	1,224,606.21	2,329,034.14
DEFERRED SURPLUS:		
Refundable Portion of Excess Profits Taxes—(estimated).....	863,255.28	218,230.00
	<u>\$31,992,255.57</u>	<u>\$16,627,376.00</u>

CONTINGENT LIABILITY:

Guarantee of Principal and Interest of \$514,500.00—6% Bonds due 1948 of Montreal Dry Docks Limited, wholly owned subsidiary.

Signed on behalf of the Board of Directors,

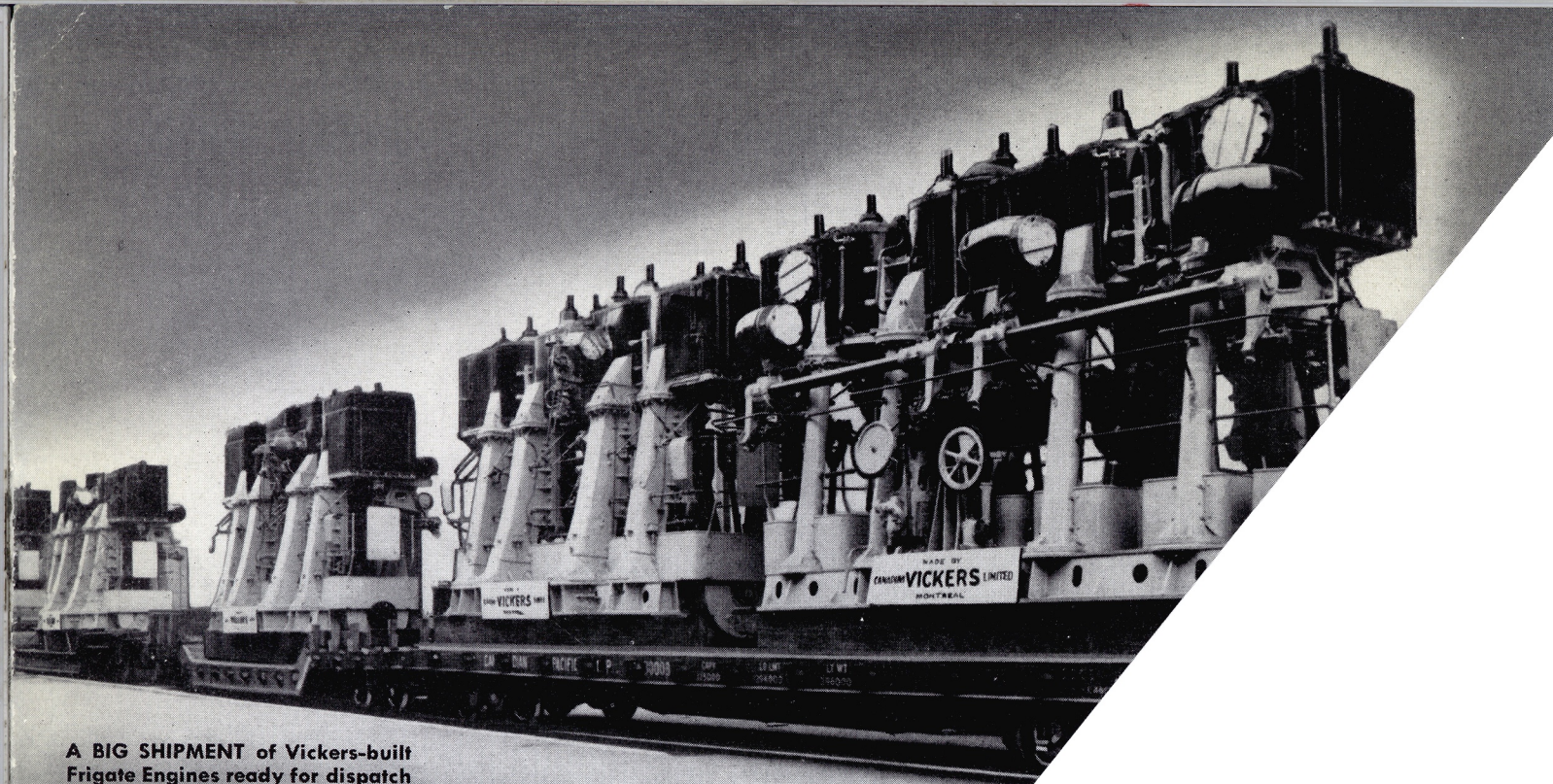
(Signed) J. EDOUARD LABELLE, K.C.

J. McL. STEPHEN

Statement of Income and Expenditure for the year ended 29th Feb., 1944

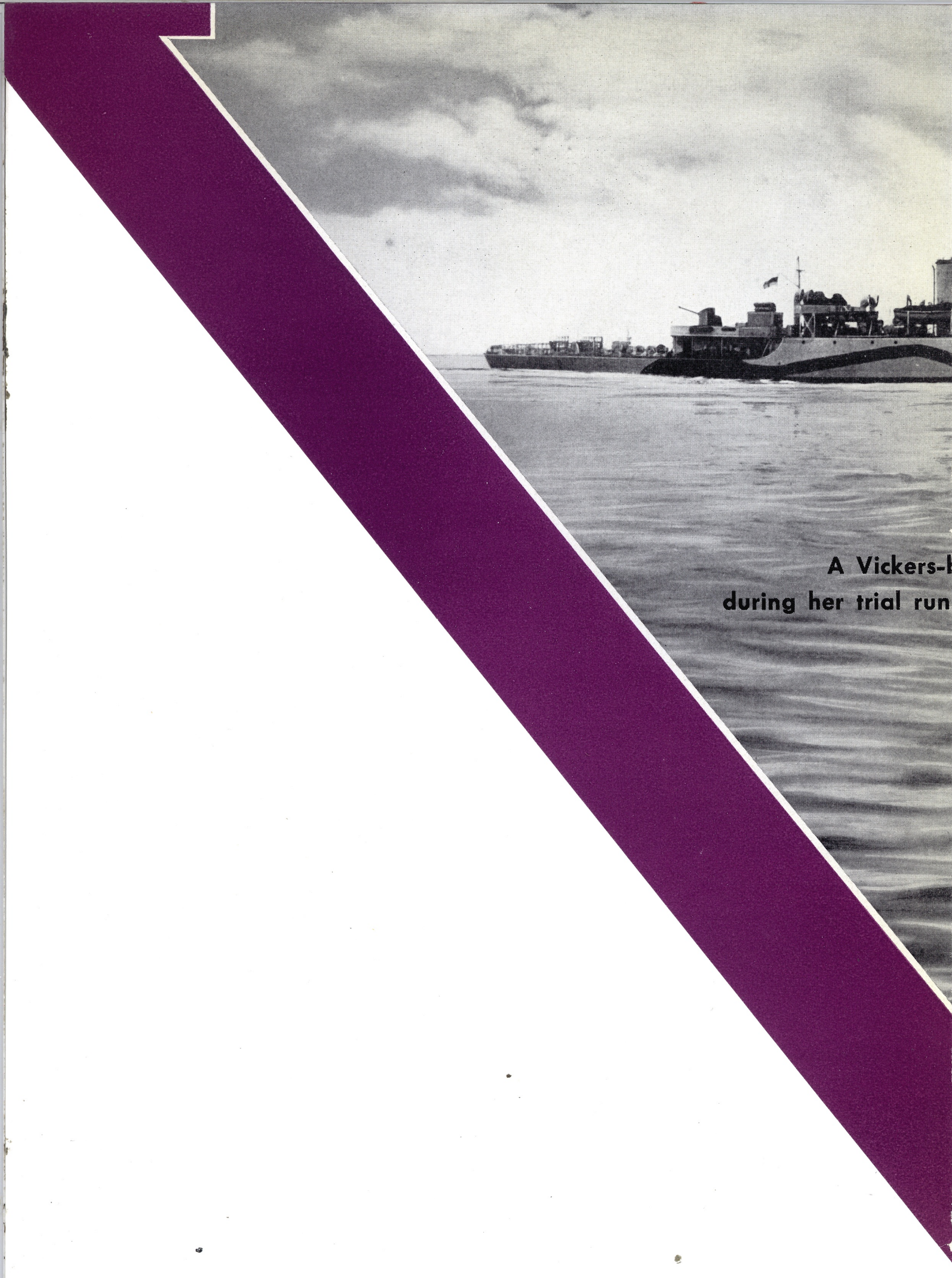
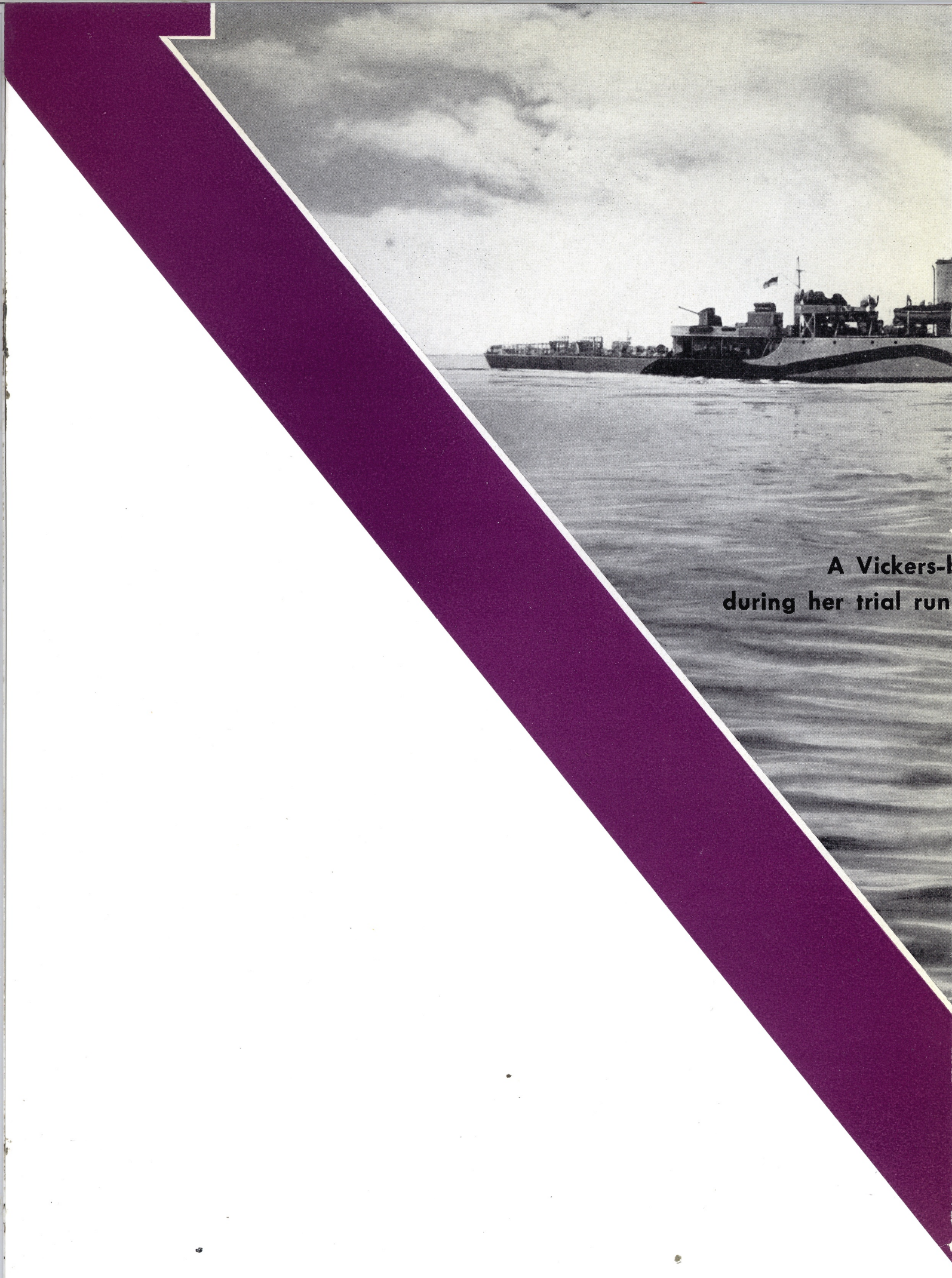
(With comparative figures for the previous year)

	As at February 29th, 1944	As at February 28th, 1943
Operating Profit for Year ended 29th February, 1944, before taking into account the items shown below.....	\$ 5,622,992.93	\$ 3,545,888.11
LESS:		
Bond Interest, including interest on Arrears.....	\$ 208,516.99	\$ 204,116.60
Depreciation and Amortization.....	875,958.36	1,061,335.93
Directors' Fees.....	3,000.00	3,665.11
Provision for Income and Excess Profits Taxes (including refundable portion of Excess Profits Tax \$855,633.71)—estimated.....	4,476,488.22	1,701,379.00
Loss on Disposal of Discarded Assets.....		55,018.81
	<u>5,563,963.57</u>	<u>3,025,515.45</u>
Income from Investments.....	59,029.36 29,032.00	520,372.66 26,699.15
	<u>88,061.36</u>	<u>547,071.81</u>
ADD:		
Profit on Disposal of Capital Assets.....	1,524.02	
Profit on Bonds purchased for Redemption.....	12,124.80	
	<u>13,648.82</u>	
LESS: Loss on Sale of Investments.....	1,018.75	125.00
	<u>12,630.07</u>	<u>125.00</u>
NET PROFIT FOR YEAR.....	100,691.43	546,946.81
Deficit as at 28th February, 1943.....	85,965.86	601,453.95
ADD:		
Net Adjustments including chiefly provision for renegotiation of Contracts applicable to 28th February, 1943, and prior years—adjusted costs, etc.....	1,205,119.36	31,458.72
	<u>1,291,085.22</u>	<u>632,912.67</u>
Deficit at 29th February, 1944, as per Balance Sheet.....	<u>\$1,190,393.79</u>	<u>\$ 85,965.86</u>
Remuneration of Executive Officers and Legal Advisers of the Company, included in Operating Expenses.....	\$ 42,954.36	\$ 34,074.05

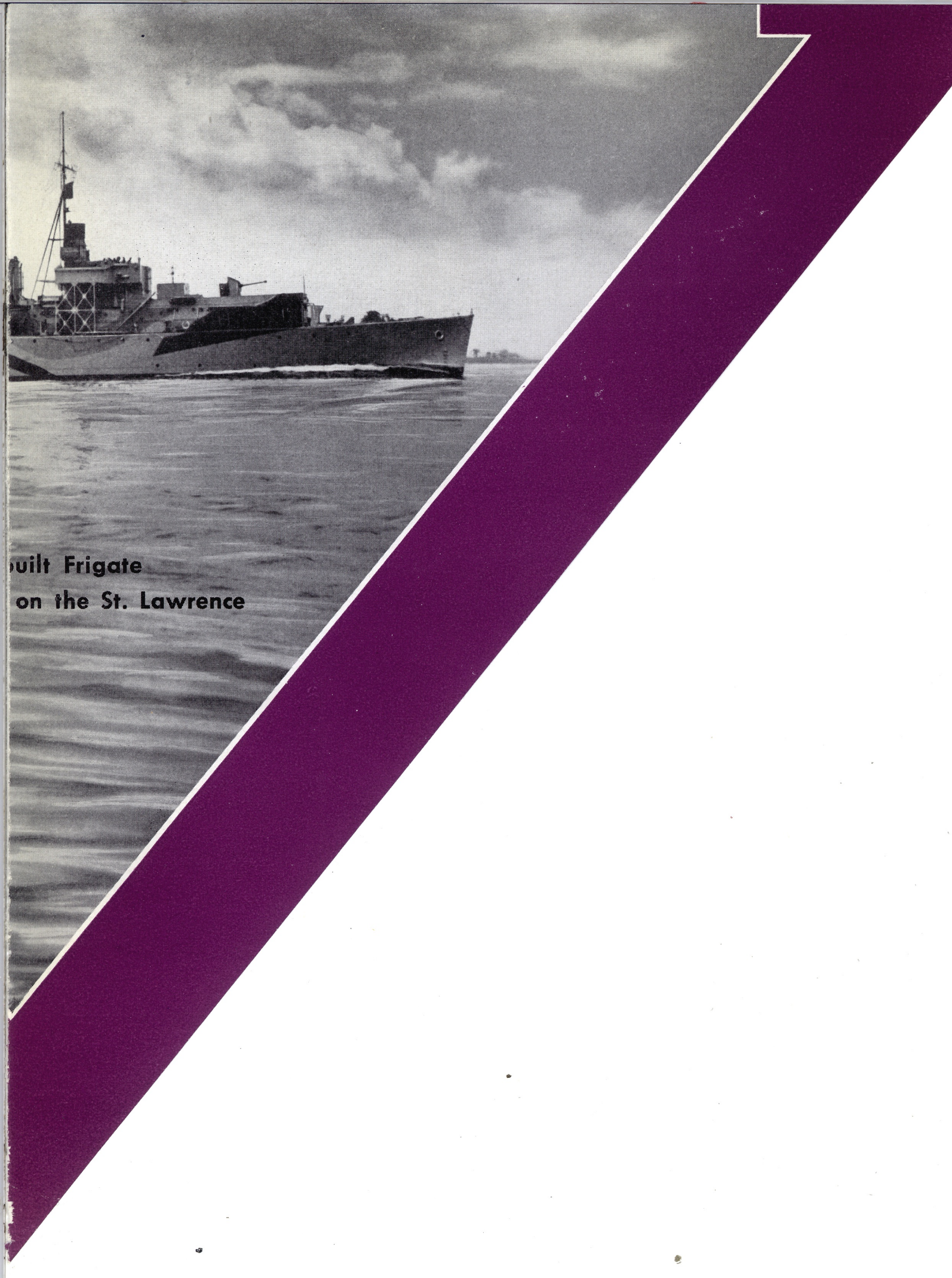


A BIG SHIPMENT of Vickers-built Frigate Engines ready for dispatch to other shipyards.

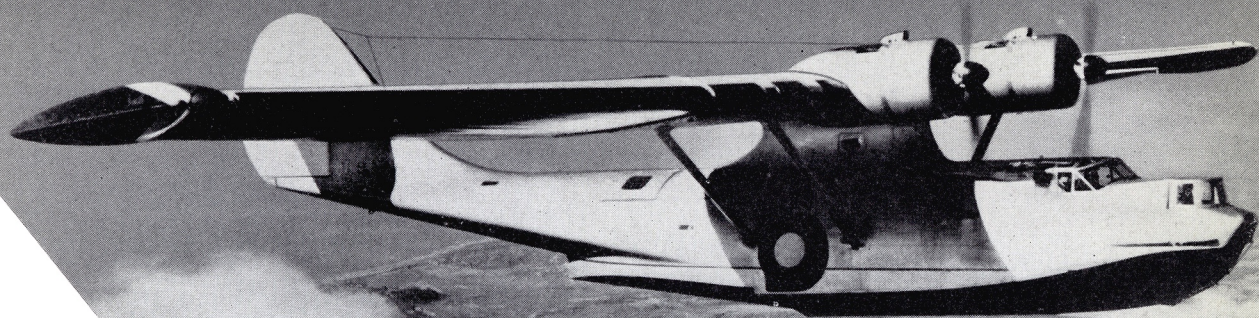
*A Report on
VICKERS'
contribution
to Canada's
War Effort*



**A Vickers-
during her trial run**



**uilt Frigate
on the St. Lawrence**



P B Y "CANSO"
Amphibian Flying Boat

Four Years of Wartime Production



Ship Construction

During this period your Company has built, engined and delivered Cargo Vessels (of 10,000 tons burthen) and Naval Vessels which include Corvettes, Minesweepers, Twin-Screw Frigates, and at date has more of the latter under completion. Production is now being diverted to a new type of Tank Landing Craft. Delivery schedules have not only been met but bettered.



Ship Repairs

Without interruption of the shipbuilding programme, a total of 232 Vessels has been dry-docked at your plant.

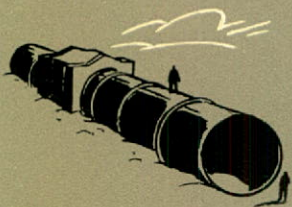
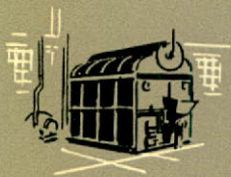
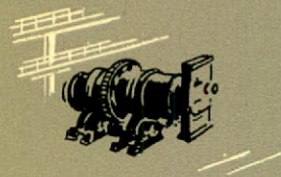
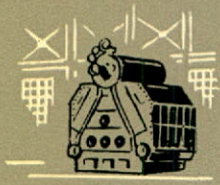


Four Years of Wartime Production

Engine and Boiler Shops Products

In these shops have been built all the marine engines and boilers for our own shipbuilding programme and, as well, a large number for other shipyards in Canada and the U.S.A. In addition, 130 water tube boilers for land service have been built and delivered to certain industries engaged on war contracts; ball mills for the crushing of ore have gone forth to the nickel industry; kilns to the aluminum industry; aircraft landing gear to other Aircraft Companies; and miscellaneous heavy equipment to equally essential industries.

It has been the studied aim of Vickers' personnel to meet the needs of those who were, and will again be, our peace-time customers, to the extent of our facilities without hampering the war effort.



Four Years of Wartime Production

Aircraft Production

Your Aircraft Division, originally located within the main plant at Maisonneuve, was found totally inadequate to meet the demands of war and is operating the newly built government owned plant at Cartierville, some 15 miles distant.

Whilst at Maisonneuve, there were built and delivered 40 large twin-engined "Stranraer" Flying Boats for coastal patrol service, and one half of the total "Hampden" Bomber fuselages built in Canada, under the British Hampden programme; in addition, production of the P.B.Y. "Catalina" Flying Boats was put under way. Upon the opening of the Cartierville plant, all aircraft activities were transferred to that location. That plant is now engaged on production of P.B.Y. "Canso" Amphibian Flying Boats, and is making delivery at the rate of one per day. Preparation for production under a contract for Douglas D.C. 4 Aircraft is now well advanced.

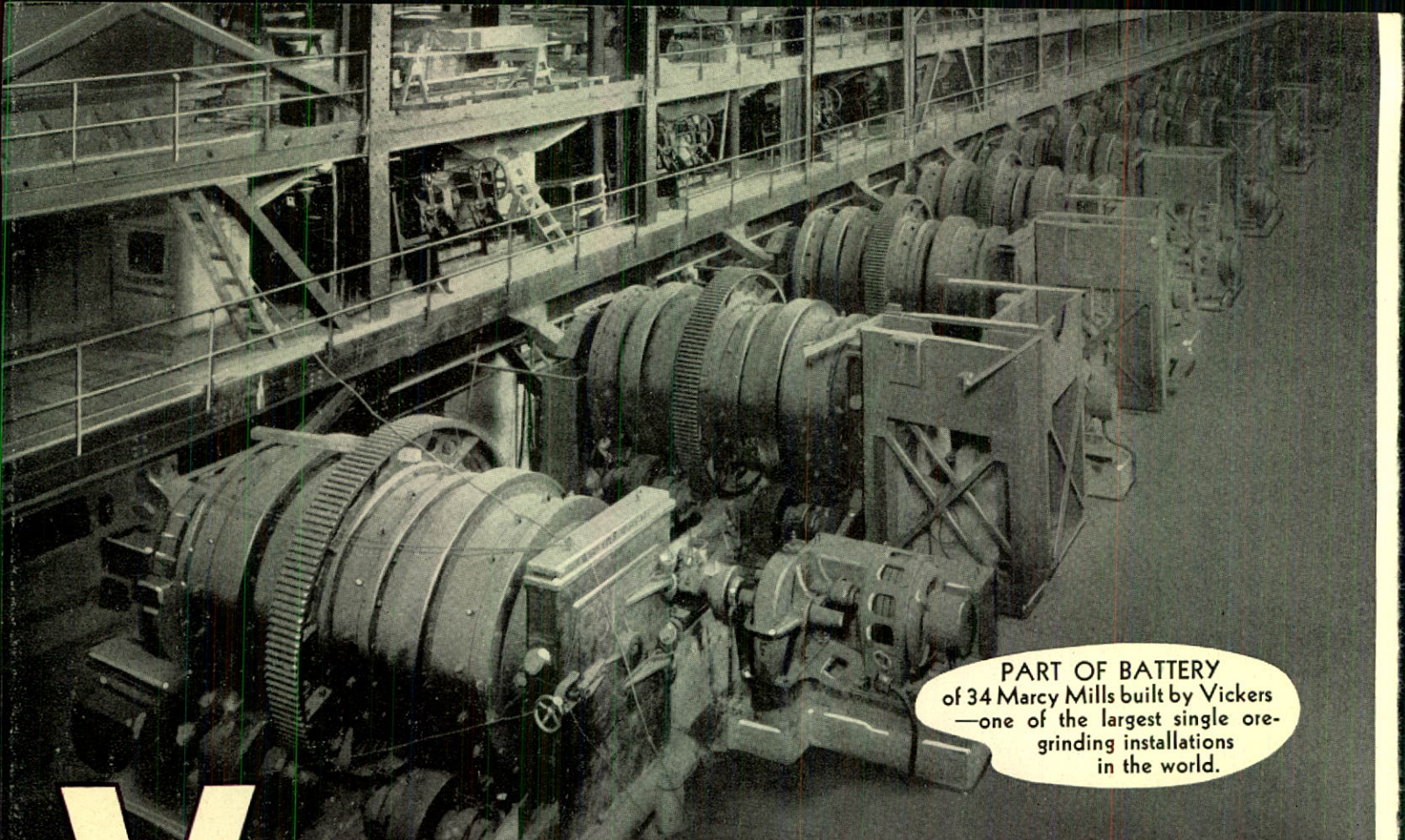




THE SIZE OF MACHINE SHOPS
is indicated by this view of No. 1 Bay. The complete
shops include two more Bays
of similar size.

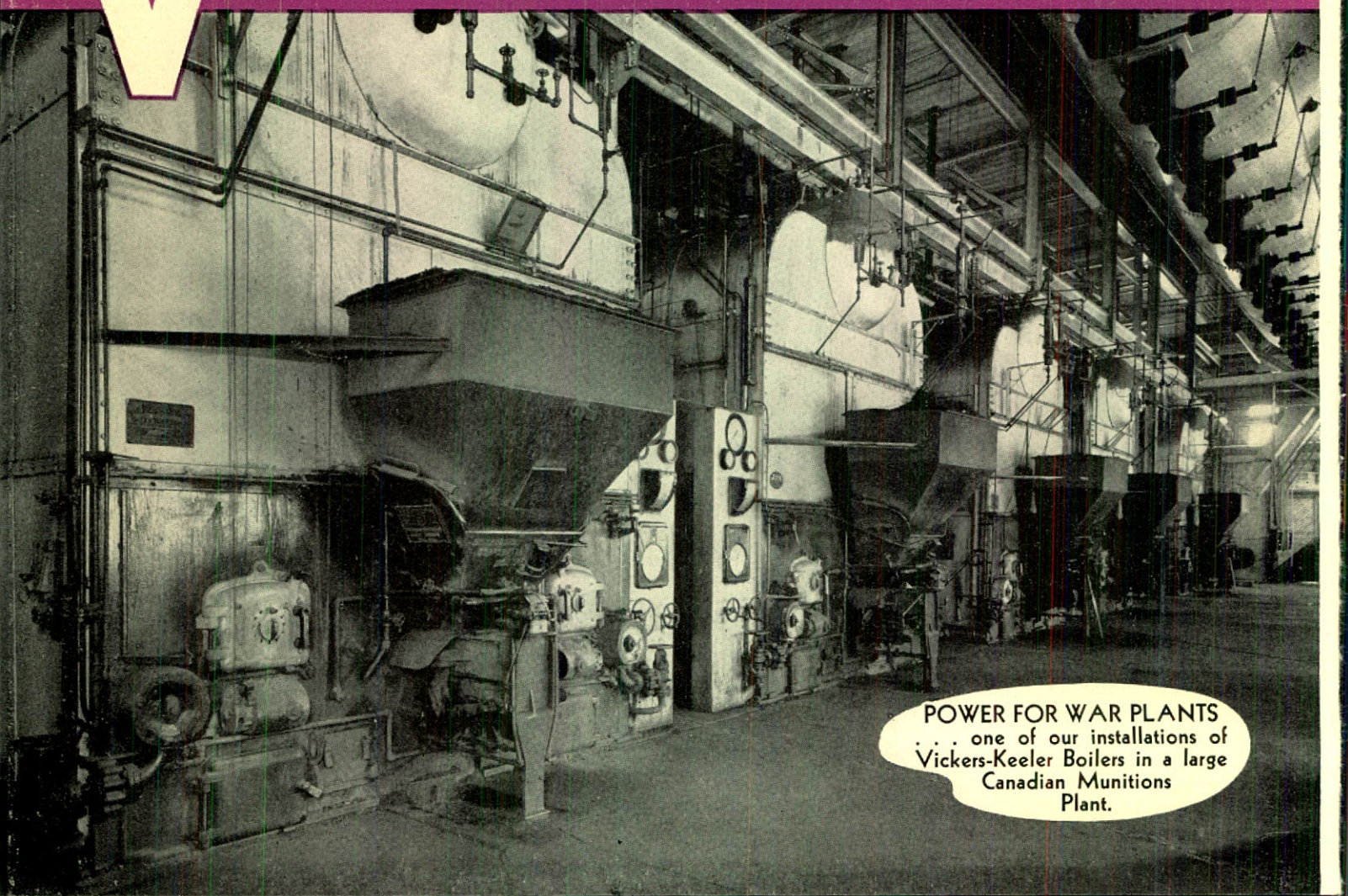


PBY "CANSO" Amphibian
Flying Boats shown on the assembly line at the
Cartierville Aircraft Plant . . . one of the finest
equipped plants on the continent.



PART OF BATTERY
of 34 Marcy Mills built by Vickers
—one of the largest single ore-
grinding installations
in the world.

VICKERS SERVES CANADA



POWER FOR WAR PLANTS
... one of our installations of
Vickers-Keeler Boilers in a large
Canadian Munitions
Plant.

